

Message Text

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43

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 FS-01

ABF-01 DRC-01 /185 W

----- 119026

R 290945Z JAN 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9602

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY THE HAGUE

AMCONSUL HONG KONG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: NA

TAGS: EFIN, JA

SUBJ: FOREX MARKET AND RELATED DEVELOPMENTS JAN28-29

1. YEN CONTINUED STRENGTHEN IN BOTH SPOT AND FORWARD
MARKETS THIS WEEK. THIS DUE TO TIGHTENING FOREX

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CONTROLS ALONG WITH WEAKENING OF DOLLAR ON MONDAY IN

EUROPEAN MARKETS. ON BOTH DAYS, SPOT DOLLAR DROPPED TO YEN299.0 BUT REPRESENTATIVE RATE OF TUES OF YEN299.7 WAS SLIGHTLY ABOVE YEN299.30 ON MON. TRADING MODERATE AT \$80 MIL ON MON AND \$63 MIL ON TUES. FORWARD RATES NARROWED WITH REPRESENTATIVE THREE MONTHS RATE ON TUES AT YEN312.70 AND SIX MONTHS AT YEN317.80. CORRESPONDING DOLLAR PREMIUMS WERE 17.35 PERCENT AND 12.08 PERCENT. VOLUME FOR TWO DAYS WAS \$195 MIL IN FORWARDS AND \$69 MIL IN SWAPS.

2. FOREX CONTROLS TIGHTENED: MOF REIMPOSED RESTRICTIONS ON RESIDENT FOREIGN CURRENCY DEPOSITS OF TRADING, SECURITIES, SHIPPING, AND INSURANCE COMPANIES. MOF SURVEY REVEALS A RAPID BUILDUP OF THESE DEPOSITS (FROM \$150 MIL AT END OF OCT 1973 TO \$500 MIL IN NOV AND TO \$860 MIL END OF DEC) AND THUS CLEARLY A FACTOR IN RECENT SPECULATIVE PRESSURE AGAINST YEN. BEGINNING MAY 8, 1972, RESIDENTS WERE PERMITTED TO HOLD FOREX PROCEEDS DERIVED FROM EXTERNAL TRANSACTIONS FOLLOWING ABOLITION OF THE PC VIOUSLY EXISTING "FTREIGN EXCHANGE CONCENTRATION SYSTEM" (TOKYO 4735, MAY 9, 1972). UNDER NEW CONTROL MEASURES ANNOUNCED JAN 28 FOREX BANKS ARE REQUIRED TO LIMIT BY FEB 26 THE FOREIGN CURRENCY DEPOSITS OF COMPANIES ENNUMERATED ABOVE TO AVERAGE AMOUNTS OUTSTANDING AT END OF OCT, NOV AND DEC 1973.

THIS SUGGESTS TOTAL FOREIGN CURRENCY DEPOSITS OF RESIDENTS WILL FALL BACK TO ABOUT \$500 MIL LEVEL FROM \$860 MIL AT END OF DEC. SECURITIES FIRMS ALSO TOLD TO CONVERT DOLLARS INTO YET WITHIN SEVEN BUSINESS DAYS FOLLOWING RECEIPT OF FOREIGN CURRENCY. FOR TIME BEING, DEPOSITS OF INDIVIDUALS ARE EXEMPT FROM NEW REGS.

3. HIDDEN RESERVES: IN ANSWER TO DIET COMMITTEE QUESTIONS, MOF DIR, INT FIN BUR, MATSUKAWA REVEALED JAN 28 THAT MOF SPECIAL FOREX DEPOSITS WITH BANKS INCREASED BY \$2,850 MIL IN 1972 AND ANOTHER \$150 MIL IN 1973, IN ORDER TO "IMPROVE THE FINANCES OF THESE BANKS." IN ADDITION, BOJ DEPOSITS/MOF SWAPS FOR "SMOOTH OPERATION OF IMPORT USANCE FINANCING INCREASED LIMITED OFFICIAL USE

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\$2,200 MIL IN 1972 AND \$894 MIL IN 1973. HE MADE NO DISCLOSURES ON OUTSTANDING AMOUNTS OF THESE DEPOSITS AND SWAPS NOR GAVE ANY INDICATION WHAT OTHER TYPES OF FOREIGN ASSETS GOJ MAY HAVE "HIDDEN AWAY". SPECULATES THAT "HIDDEN RESERVES" VARY BETWEEN \$6 BIL AND \$9 BIL SO THAT JAPAN'S REAL FOREIGN CURRENCY RESERVES ACTUALLY AMOUNT TO A MOMFORTABLE \$19 BIL OR MORE. NO MENTION WAS MADE IN DIET OF REPORTED YEN PURCHASES IN NEW YORK

MARKET JAN 23. SHOESMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN MARKETS, DOLLAR, FOREIGN EXCHANGE, YEN (CURRENCY), FOREIGN EXCHANGE RATES, FOREIGN EXCHANGE CONTROLS, FOREIGN EXCHANGE HOLDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TOKYO01280
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974017/aaaaagmb.tel
Line Count: 116
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2002 by kelleyw0>; APPROVED <30 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREX MARKET AND RELATED DEVELOPMENTS JAN28-29
TAGS: EFIN, JA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005